

BROADMOOR CHARTER SCHOOL BOARD, INC.

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date _____

MAR 14 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Broadmoor Charter School Board, Inc.

We have audited the accompanying statement of financial position of **Broadmoor Charter School Board, Inc. (the School)** (a not-for-profit corporation) as of June 30, 2011, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the management of **the School**. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of **the School's** internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
Broadmoor Charter School Board, Inc.
Page 2

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **the School** as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As further discussed in NOTE 4 and Finding Reference Number 2011-05, **the School** continues to dialogue with its management company regarding the renewal options of the management agreement and consideration of debt forgiveness previously agreed on in the amount of \$800,519.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2012 on our consideration of **the School's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. Also, that report contained instances of noncompliance and material weaknesses

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
Broadmoor Charter School Board, Inc.
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Our audit was performed for the purpose of forming an opinion on the basic financial statements of **the School** taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

January 30, 2012

BROADMOOR CHARTER SCHOOL BOARD, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

Cash	\$ 474,789
Grants receivable (NOTE 2)	665,945
Fixed assets, net (NOTE 3)	<u>239,158</u>
 Total assets	 <u>1,379,892</u>

LIABILITIES

Accounts payable-vendors	221,638
Accrued liabilities (NOTE 6)	398,631
Due to management company (NOTE 4)	<u>632,204</u>
 Total liabilities	 <u>1,252,473</u>

CONTINGENCIES AND COMMITMENTS (NOTE 10)

NET ASSETS

Net assets.	
Unrestricted	<u>127,419</u>
 Total net assets	 \$ <u>127,419</u>

The accompanying notes are an integral part of these financial statements.

BROADMOOR CHARTER SCHOOL BOARD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

REVENUES AND SUPPORT

Local Sources	
Minimum Foundation Program	\$2,311,063
Contributions	822
Fees	<u>66,926</u>
Total revenues and support from local sources	<u>2,378,811</u>
State Sources	
Minimum Foundation Program	1,973,860
Grant	<u>8,400</u>
Total revenues from state sources	<u>1,982,260</u>
Federal Sources	<u>1,270,350</u>
Total revenues and support	<u>5,631,421</u>

EXPENSES

Program Services	
Instructional	2,975,314
Supporting Services	
Pupil support services	315,749
Instructional staff services	195,050
General administration	69,765
School administration	306,264
Business services	86,616
Operating and maintenance of plant services	576,548
Student transportation services	435,999
Central services	115,812
Food services operations	329,201
Depreciation	161,311
Bad debts	<u>6,152</u>
Total expenses	<u>5,573,781</u>
Change in net assets	<u>57,640</u>
Unrestricted net assets, beginning of year	146,261
Adjustment to unrestricted net assets, beginning of year (NOTE 13)	<u>(76,482)</u>
Unrestricted net assets, beginning of year, as restated	<u>69,779</u>
Unrestricted net assets, end of year	<u>\$ 127,419</u>

The accompanying notes are an integral part of these financial statements.

BROADMOOR CHARTER SCHOOL BOARD, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 57,640
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	161,311
Adjustment to beginning net assets	(76,482)
Decrease in accounts receivable	6,432
Decrease in grants receivable	26,781
Decrease in accrued liabilities	(94,983)
Increase in accounts payable-vendors	55,433
Decrease in due to management company	<u>(187,886)</u>
Net cash used in operating activities	<u>(51,754)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of furniture and equipment	<u>(7,955)</u>
Cash used in investing activities	<u>(7,955)</u>
Decrease in cash	(59,709)
Cash, beginning of year	<u>534,498</u>
Cash, end of year	<u>\$ 474,789</u>

The accompanying notes are an integral part of these financial statements.

BROADMOOR CHARTER SCHOOL BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies:

General

The **Broadmoor Charter School Board, Inc. (the School)** (a not-for-profit corporation) was granted a charter by the Louisiana State Board of Elementary and Secondary Education (BESE) in 2007 to operate a Type 5 public charter school d/b/a **Andrew H. Wilson Charter School**. On December 17, 2011, BESE's Board conditionally approved the **School's** charter agreement for three (3) years. Currently, the **School** serves students from kindergarten through eighth grade.

On July 30, 2007, the **School** entered into a management agreement with EdisonLearning, Inc. (EdisonLearning) to act as a management company of the charter school. EdisonLearning manages all aspects of the charter school unless provided in the management agreement.

On February 24, 2010, an agreement was reached between both parties that prohibited the termination of the management agreement in consideration of a debt forgiveness in the amount of \$800,519 for the year ended June 30, 2009. The agreement is subject to automatic renewal for a term of five (5) years unless notice to the contrary is given by the parties of the agreement as required by the renewal section of the agreement. Further, on December 14, 2011, the **School** opted to consider its re-engagement of EdisonLearning for the 2012-2013 school year by no later than March 31, 2012.

Basis of Accounting

The **School's** financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

BROADMOOR CHARTER SCHOOL BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

Fixed Assets

Fixed assets consist of curriculum, furniture, fixtures, and technology assets that are purchased by or donated to **the School**. Curriculum assets represent any instructional materials and equipment including books, videos, globes, calculators, science equipment, CDs, DVDs, musical instruments, gymnasium equipment and other.

Fixed assets of **the School** with a cost of \$1,000 (\$500 for curriculum) or more are recorded as assets (capitalized) and are stated at historical costs if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided utilizing the straight-line method over estimated useful lives of the assets

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use

BROADMOOR CHARTER SCHOOL BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued:

Grant Revenue

Revenues from governmental grants are recognized when allowable expenditures are made by **the School**. Funds received for specific purposes but not yet expended are recorded as deferred revenue

Grants Receivable

The grants receivable are stated at the amount management expects to collect from outstanding balances

Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include all highly liquid instruments purchased with original maturities of three (3) months or less. **The School** had no cash equivalents at June 30, 2011.

Income Taxes

The School is exempt from federal income taxes through Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. If for some reason the tax status is challenged in the future, the 2008, 2009 and 2010 tax years are open for examination by the IRS.

Financial Statement Presentation

Under Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) Section 958-605, *Not-For-Profit Entities, Revenue Recognition*, **the School** must recognize contributions received as revenue, including unconditional promises to give, in the period received at their fair value. At the same time, contributions made, including unconditional promises to give, must be recognized as expenses in the period made at their fair value.

BROADMOOR CHARTER SCHOOL BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued

Financial Statement Presentation, Continued

In accordance with FASB ASC Section 958-205 *Not-for-Profit Entities Presentation of Financial Statements*, **the School** is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Support, revenues, and expenses for the general operation of **the School**.

Temporarily Restricted Net Assets - Contributions specifically authorized by the donors to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by **the School**. Generally, the donors of these assets permit **the School** to use all or part of the income derived from the investment of these contributions.

At June 30, 2011, **the School** has no temporarily or permanently restricted net assets.

Contributions

In accordance with FASB ASC 958-605, unconditional promises to give (pledges) should be recorded as receivable and revenues and **the School** is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

BROADMOOR CHARTER SCHOOL BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued

Contributions, Continued

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets.

Minimum Foundation Program

The School, as a Type 5 charter school, received funding from BESE in an amount for pupils based on estimated daily attendance at **the School**. The amount of funding received is adjusted during the school year based on a student count on a designated date and the results of any audits performed.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among instructional and supporting services in the accompanying statement of activities.

Budgetary Data

The School formally adopts a budget. The budgetary data are submitted to the State of Louisiana for approval

NOTE 2 - Grants Receivable:

Grants receivable at June 30, 2011, consists of the following:

Federal grants	\$657,545
State grants	<u>8,400</u>
Total	<u>\$665,945</u>

BROADMOOR CHARTER SCHOOL BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Fixed Assets, Net:

The following is a summary of fixed assets at June 30, 2011:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2011</u>
Curriculum	\$ 570,657	\$ -0-	\$ 570,657
Furniture & equipment	<u>229,841</u>	<u>7,955</u>	<u>237,796</u>
	800,498	7,955	808,453
Less: accumulated depreciation	<u>(407,984)</u>	<u>(161,311)</u>	<u>(569,295)</u>
Total	\$ <u>392,514</u>	\$ <u>153,356</u>	\$ <u>239,158</u>

NOTE 4 - Due to Management Company:

The management company agreement with EdisonLearning is a residual fee agreement. This means that the management company receives its fee only when revenues exceed expenses. Operational expenses are paid by the management company and the School transfers to the management company all grant revenues it earns and receives to defray operational expenses paid by the management company and certain management company reimbursable expenses.

At June 30, 2011 amounts due to the management company represents an accumulation of revenues earned by the School not yet remitted to the management company. The amount is subject to the final resolution of questioned costs and the agreement between the School and management company dated February 24, 2010. Also, see Finding Reference Number 2011-05

BROADMOOR CHARTER SCHOOL BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - In-kind:

The School received rent-free use of a school building from the Recovery School District (RSD) and also the use of furniture and equipment rent-free. The estimated value of the use of the building and furniture/equipment was not readily determinable and accordingly no amounts have been recorded in the accompanying financial statements.

Further, **the School** received during the year ended June 30, 2011, \$16,263 in donated food commodities through the U S. Department of Education.

NOTE 6 - Accrued Liabilities:

At June 30, 2011, accrued liabilities consisted of the following:

Salaries payable	\$386,071
Social Security and Medicare taxes payable	11,822
Retirement withholding	<u>738</u>
Total	<u>\$398,631</u>

NOTE 7 - Risk Management:

The School is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which **the School** carries commercial liability insurance coverage.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

BROADMOOR CHARTER SCHOOL BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - Concentration of Credit Risk:

The School maintains cash balances at a local bank. Accounts at this institution are fully insured by the Federal Deposit Insurance Corporation (FDIC). This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

NOTE 9 - Board of Directors' Compensation.

The board of directors is a voluntary board, therefore, no compensation was paid to any board member during the year ended June 30, 2011.

NOTE 10 - Contingencies and Commitments:

The School is a recipient of local, federal, and state grants. The grants are governed by various local, federal, and state guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants are under the control and administration of **the School** and are subject to audit and/or review by the local, federal, and state grantors. Any grant found to be not properly spent in accordance with the terms, conditions, and regulations of the local, federal, and state agencies may be subject to recapture.

At June 30, 2011, **the School** has an executed contract with a third party totaling \$12,000 and expiring in 2013.

NOTE 11 - Subsequent Events:

The School is required to evaluate events or transactions that may occur after the statement of financial position date for potential recognition or disclosure in the financial statements. **The School** performed such an evaluation through January 30, 2012, the date which the financial statements were available to be issued, and noted no subsequent events or transactions that occurred after the statement of financial position date requiring recognition or disclosure.

BROADMOOR CHARTER SCHOOL BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 12 - Related Party Transactions

During the year ended June 30, 2011, health and medical insurance coverages for **the School's** employees were provided through **the School's** management company. Included in **the School's** expenses for the year ended June 30, 2011 is approximately \$408,000 representing the cost charged to **the School** by the management company for employee health and medical insurance benefits.

NOTE 13 - Adjustment to Beginning Net Assets:

Unrestricted net assets at the beginning of the 2011 fiscal year has been adjusted to correct transactions executed by the management company on behalf of **the School** that were improperly accounted for in **the School's** current year's financial statements.

NOTE 14 - Operating Lease:

The School leases an equipment under an operating lease. The lease is effective August 29, 2011 through 2014. The future minimum lease payments for the next three (3) years are as follows.

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$18,271
2013	19,932
2014	<u>19,932</u>
Total	<u>\$58,135</u>

NOTE 15 - Retirement Plan:

On August 20, 2011, **the School** adopted a 401(K) Profit Sharing Plan. Employees age twenty-one (21) are eligible to participate in the elective deferral plan after six (6) consecutive months of eligibility service.

The School has elected a discretionary matching contribution option.

Prior to the new plan, **the School** maintained a 403(b) plan. For the year ended June 30, 2011, **the School** made no contributions to the plan. Employee contributions for the year ended June 30, 2011 was \$708.

SUPPLEMENTARY INFORMATION

BROADMOOR CHARTER SCHOOL BOARD, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through</u> State of Louisiana Department of Education		
National School Lunch Program	10.555	\$ 293,139
Commodities	10 555	<u>16,263</u>
Total U.S. Department of Agriculture		<u>309,402</u>
U.S. DEPARTMENT OF EDUCATION:		
<u>Passed through</u> State of Louisiana Department of Education		
Elementary and Secondary Education Act (ESEA)		
Title I, Part A, Grants to Local Educational		
Agencies	84 010	497,683
Educational Excellence	85.200	27,781
Education Jobs Fund	84.410	41,481
Elementary and Secondary Education Act (ESEA)		
Title II, Part A, Teacher and Principal Training		
Recruiting Fund	84 367	92,029
Individuals with Disabilities Act (IDEA		
Part B)	84 027	156,936
Individuals with Disabilities Act (IDEA		
Part B) - American Recovery and		
Reinvestment Act (ARRA)	84.391	124,963
Special Education-Preschool Grant (IDEA		
Preschool) (ARRA)	84 392	3,215
Special Education-Preschool Grant (IDEA		
Preschool)	84 173	<u>16,860</u>
Total U.S. Department of Education		<u>960,948</u>
Total Expenditures of Federal Awards		<u>\$1,270,350</u>

NOTE. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See the Independent Auditors' Report on Supplementary Information



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Broadmoor Charter School Board, Inc.

We have audited the financial statements of **Broadmoor Charter School Board, Inc. (the School)**, (a not-for-profit corporation) as of and for the year ended June 30, 2011, and have issued our report thereon dated January 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered **the School's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **the School's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **the School's** internal control over financial reporting.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control Over Financial Reporting, Continued

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Summary Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Summary Schedule of Findings and Questioned Costs, as items 2011-01 and 2011-02, to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. We consider the deficiency described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2011-05 to be a significant deficiency.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **the School's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2011-03 and 2011-04.

We also noted certain matters that we reported to the management of **the School** in a separate letter dated January 30, 2012.

The School's response to the findings identified in our audit is described in the Summary Schedule of Findings and Questioned Costs under the captions Management's Response and Planned Corrective Action and/or Current Status. We did not audit **the School's** response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, **the School's** Board of Directors, the Louisiana Recovery District, the Louisiana Legislative Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

January 30, 2012



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Broadmoor Charter School Board, Inc.

Compliance

We have audited the compliance of **Broadmoor Charter School Broad, Inc. (the School)** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **the School's** major federal programs for the year ended June 30, 2011. **The School's** major federal programs are identified in the summary of auditor results section of the accompanying Summary Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **the School's** management. Our responsibility is to express an opinion on **the School's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **the School's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **the School's** compliance with those requirements.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

(CONTINUED)

Compliance, Continued

In our opinion, **the School** complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying *Summary Schedule of Findings and Questioned Cost as items 2011-08 through 2011-20*.

Internal Control Over Compliance

The management of **the School** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **the School's** internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **the School's** internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the subsequent paragraph, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

(CONTINUED)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

We consider the deficiencies in internal control over compliance described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2011-06 and 2011-07 to be material weaknesses.

The School's response to the findings identified in our audit is described in the accompanying Summary Schedule of Findings and Questioned Costs under the captions Management's Response and Planned Corrective Action and/or Current Status. We did not audit the School's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the School's Board of Directors, the Louisiana Recovery District, the Louisiana Legislative Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

January 30, 2012

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency (ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal Control Over Major Programs:

- Material weakness(es) identified? Yes
- Significant deficiency (ies) identified? Yes

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditors' Results, Continued

Federal Awards, Continued

Identification of Major Program.

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I - Part A - Grants to Local Educational Agencies
84.027	Individuals with Disabilities Act (IDEA) Part B
84.391	Individuals with Disabilities Act (IDEA) Part B (ARRA)
84.392	Special Education-Preschool Grant (IDEA) Preschool ARRA
84.173	Special Education-Preschool Grant
Dollar threshold used to distinguish between type A and type B programs.	\$300,000
Auditee qualified as low-risk auditee.	No

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings and Questioned Costs

Reference Number

2011-01

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management is required to establish and maintain internal controls designed to reasonably ensure completeness in recorded financial transactions.

Condition

A significant portion of **the School's** financial operations are performed by a management company. Based on our review of operations during the year ended June 30, 2011, we noted an inadequate design of internal control over significant general ledger accounts and processes to include inadequate and/or limited review of executed transactions by **the School**.

Further, we noted no procedures and policies in place to ensure the accurate and complete preparation of financial statements and related footnote disclosures in accordance with accounting principles generally accepted in the United States of America

Based on our observation, **the School** has initiated a transition towards the development and implementation of formalized written policies and procedures to ensure management of its financial operations

Context

Total expense for the year ended June 30, 2011 was \$5,573,781.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2011-01

Effect or Potential Effect

Potential misstatement in internally prepared financial statements

Cause

Nature of **the School's** management agreement coupled with the level of expertise at **the School**.

Recommendation

We recommend that management continue to develop for board approval and implementation, an adequate design of internal controls to include policies and procedures for its financial accounting and reporting cycles.

Management's Response and Planned Corrective Action

Management concurs with this recommendation and has disengaged all business and accounting services from the management company (effective 7/1/2011) All business and accounting services are now managed internally In addition, management has drafted a Financial Policies and Procedures manual, approved by the Board's Finance Committee and is awaiting full board adoption. The draft policies ensure that proper internal controls are in place to safeguard the assets of Wilson Charter School

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2011-02

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management is required to establish and maintain internal controls designed to reasonably ensure completeness in recorded financial transactions.

Condition

Our review of **the School's** cash receipts, disbursements, to include payroll transactions and general ledger for the year ended June 30, 2011 revealed the following:

- o **The School's** disbursement transactions relating to operating expenses incurred were executed on behalf of **the School** from a bank account maintained by its management company. The management company also recorded all financial transactions for **the School** to an accounting system maintained and operated by the management company. As such, all transactions related to the operations of **the School** for the year ended June 30, 2011, were recorded via journal entry in the accounting system maintained by **the School** based on spreadsheets provided by the management company. Documentation supporting those transactions executed by the management company on behalf of **the School** are not routinely and consistently provided to **the School** by the management company.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2011-02

Condition, Continued

Further, **the School** was unable to provide supporting documentation for all transactions executed by the management company on a routine and consistent basis. In instances where documents were made available for our review, the management company provided scanned images of vendor invoices, cancelled checks, contracts, etc.

- o Our testing of a sample of payroll transactions posted to the general ledger maintained by **the School**, revealed instances where payroll transaction amounts posted to **the School's** general ledger were various system generated monthly accruals. These transactions were represented to us as being reversed in the subsequent period but we were unable to ascertain the method for the calculation for the monthly accruals. Additionally, included were monthly "summer pay" accruals. A review of the summer pay accruals at June 30, 2011 revealed an overstatement prior to the effect of an audit adjustment.
- o The general ledger provided to us in connection with the June 30, 2011 audit was a recreation of one previously maintained by **the School** prior to the termination of the designated staff person who maintained the ledger.

The recreated general ledger was based on bank statements as such, the general ledger provided to us for our review lacked the necessary details for a complete review of the general ledger in connection with the audit.

However, our limited review revealed unrecorded transactions for depreciation expense, in-kind revenues and expenses, erroneous recordation of prior year transactions, and unrecorded year end accruals.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2011-02

Condition, Continued

- o Inadequate documentation available to support the determination of management fees recorded in the financial statements for and by the management company for the year ended June 30, 2011.

Context

Total revenues and expenses for the year ended June 30, 2011 were \$5,631,421 and \$5,573,781, respectively.

Effect of Potential Effect

Misstatements in the general ledger provided in connection with the June 30, 2011 audit.

Cause

Nature of management agreement coupled with the lack of a clear understanding in expectation of deliverables.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2011-02

Recommendation

Management should continue its evaluation of the current financial process and reporting functions with an aim towards ensuring its completeness to support all financial transactions executed to facilitate reporting to both external and internal users. Records retained to support all financial transactions should be the original documents executed and/or received.

Management's Response and Planned Corrective Action

Management concurs with this recommendation and has disengaged all business and accounting services from the management company (effective 7/1/2011) All business and accounting services are now managed internally. In addition, management has drafted a Financial Policies and Procedures manual, approved by the Board's Finance Committee and is awaiting full board adoption. The draft policies ensure that proper internal controls are in place to safeguard the assets of Wilson Charter School.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2011-03

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Louisiana Accounting and Uniform Governmental Handbook (LAUGH) requires the use of the guide's chart of accounts and financial statement format in the preparation of general ledger accounts and financial statements.

Condition

The School's various general ledger account coding and classifications are not currently structured to conform to the requirements of the *Louisiana Accounting and Uniform Governmental Handbook*.

Context

Total federal award expended for the year ended June 30, 2011 was \$1,270,350.

Effect or Potential Effort

Non-compliance with the requirements of the LAUGH guide.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2011-03

Cause

No established policy to ensure compliance with the requirements of the LAUGH guide.

Recommendation

As the School continues to restructure its financial processing and reporting functions, the requirements of LAUGH should be incorporated.

Management's Response and Planned Corrective Action

Management concurs with this recommendation and has disengaged all business and accounting services from the management company (effective 7/1/2011). All business and accounting services are now managed internally. In addition, management has drafted a Financial Policies and Procedures manual, approved by the Board's Finance Committee and is awaiting full board adoption. The draft policies ensure that the chart of accounts are structured to conform with the LAUGH guide.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2011-04

Federal Program

All programs (see Schedule of Expenditures of Federal Awards)

Criteria

Pursuant to Louisiana Audit Law 24:513, financial statements are required to be submitted within six (6) months of year end.

Condition

The audited financial statements for the year end June 30, 2011 was submitted within an approved extension request

Context

Total federal award expended for the year ended June 30, 2011 was \$1,270,350.

Effect or Potential Effort

Non-compliance with the requirement of Louisiana Audit Law.

Cause

The current year's audit delay was caused primarily by the untimely finalization of the School's general ledger.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2011-04

Recommendation

As the School continues to restructure its financial processing and reporting functions, greater emphasis should be placed on the financial operating cycle to ensure the timely and accurate financial information reporting. Audit adjustments should be minimal through the timely review and analysis of significant general ledger accounts.

Furthermore, an enhanced level of oversight is necessary to ensure the timely, accurate and complete financial information reporting

Management's Response and Planned Corrective Action

Management concurs with this recommendation. An increased emphasis will be placed on completing next year's audit within the requirement of Louisiana Audit Law. Management has agreed to finalize next year audit within the prescribe requirement of Louisiana Audit Law.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2011-05

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management is responsible for the completeness in all recorded financial transactions.

Condition

At June 30, 2011, **the School** has \$632,204 recorded as a cumulative amount due to its management company. Further, **the School** has not requested a calculation of the net profit earned from the management company.

As previously discussed, management entered into an agreement with its management company in consideration of a debt forgiveness in the amount of \$800,519 for the year ended June 30, 2009. Further, the management fee payable at June 30, 2010 does not have the effect of potential questioned costs included in this report.

Context

Total revenues and expenses for the year ended June 30, 2011 were \$5,631,421 and \$5,573,781

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2011-05

Effect or Potential Effect

Fee payable is subject to the final outcome of questioned costs and debt forgiveness agreement.

Cause

Current status of management agreement coupled with the final resolution in questioned costs

Recommendation

Management of **the School** should evaluate the referenced condition for resolution.

Further, a calculation of the net profit to include all supporting documents should be formally requested from the management company.

Management's Response and Planned Corrective Action

Management has requested documentation to support the management company's claim, and is still awaiting a response. This expense was recorded by the management company.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs

Reference Number

2011-06

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management is required to establish and maintain internal controls designed to reasonably ensure completeness in recorded financial transactions.

Condition

A significant portion of **the School's** financial operations are performed by a management company. Based on our review of operations during the year ended June 30, 2011, we noted an inadequate design of internal control over significant general ledger accounts and processes to include inadequate and/or limited review of executed transactions by **the School**

Further, we noted no procedures and policies in place to ensure the accurate and complete preparation of financial statements and related footnote disclosures in accordance with accounting principles generally accepted in the United States of America.

Based on our observation, **the School** has initiated a transition towards the development and implementation of formalized written policies and procedures to ensure management of its financial operations.

Questioned Costs

None.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-06

Context

Total expense for the year ended June 30, 2011 was \$5,573,781.

Effect or Potential Effect

Potential misstatement in internally prepared financial statements.

Cause

Nature of **the School's** management agreement coupled with the level of expertise at **the School**.

Recommendation

We recommend that management continues to develop for board approval and implementation, an adequate design of internal controls to include policies and procedures for its financial accounting and reporting cycles.

Management's Response and Planned Corrective Action

Management concurs with this recommendation and has disengaged all business and accounting services from the management company (effective 7/1/2011). All business and accounting services are now managed internally. In addition, management has drafted a Financial Policies and Procedures manual, approved by the Board's Finance Committee and is awaiting full board adoption. The draft policies ensure that proper internal controls are in place to safeguard the assets of Wilson Charter School.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-07

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management is required to establish and maintain internal controls designed to reasonably ensure completeness in recorded financial transactions

Condition

Our review of **the School's** cash receipts, disbursements, to include payroll transactions and general ledger for the year ended June 30, 2011 revealed the following:

- o **The School's** disbursement transactions relating to operating expenses incurred were executed on behalf of **the School** from a bank account maintained by its management company. The management company also recorded all financial transactions for **the School** to an accounting system maintained and operated by the management company. As such, all transactions related to the operations of **the School** for the year ended June 30, 2011, were recorded via journal entry in the accounting system maintained by **the School** based on spreadsheets provided by the management company. Documentation supporting those transactions executed by the management company on behalf of **the School** are not routinely and consistently provided to **the School** by the management company.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-07

Condition, Continued

Further, **the School** was unable to provide supporting documentation for all transactions executed by the management company on a routine and consistent basis. In instances where documents were made available for our review, the management company provided scanned images of vendor invoices, cancelled checks, contracts, etc.

- o Our testing of a sample of payroll transactions posted to the general ledger maintained by **the School**, revealed instances where payroll transaction amounts posted to **the School's** general ledger were various system generated monthly accruals. These transactions were represented to us as being reversed in the subsequent period but we were unable to ascertain the method for the calculation for the monthly accruals. Additionally, included were monthly "summer pay" accruals. A review of the summer pay accruals at June 30, 2011 revealed an overstatement prior to the effect of an audit adjustment
- o The general ledger provided to us in connection with the June 30, 2011 audit was a recreation of one previously maintained by **the School** prior to the termination of the designated staff person who maintained the ledger.

The recreated general ledger was based on bank statements as such, the general ledger provided to us for our review lacked the necessary details for a complete review of the general ledger in connection with the audit.

However, our limited review revealed unrecorded transactions for depreciation expense, inkind revenues and expenses, erroneous recordation of prior year transactions, and unrecorded year end accruals

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-07

Condition, Continued

- o Inadequate documentation available to support the determination of management fees recorded in the financial statements for and by the management company for the year ended June 30, 2011

Questioned Costs

None.

Context

Total revenues and expenses for the year ended June 30, 2011 were \$5,631,421 and \$5,573,781, respectively.

Effect or Potential Effect

Misstatements in general ledger provided in connection with the June 30, 2011 audit.

Cause

Nature of management agreement coupled with the lack of a clear understanding in expectation of deliverables.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-07

Recommendation

Management should continue its evaluation of the current financial process and reporting functions with an aim towards ensuring its completeness to support all financial transactions executed to facilitate reporting to both external and internal users

Management's Response and Planned Corrective Action

Management concurs with this recommendation and has disengaged all business and accounting services from the management company (effective 7/1/2011). All business and accounting services are now managed internally. In addition, management has drafted a Financial Policies and Procedures manual, approved by the Board's Finance Committee and is awaiting full board adoption. The draft policies ensure that proper internal controls are in place to safeguard the assets of Wilson Charter School.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-08

Federal Program

Title I and AARA Cluster (see Schedule of Expenditures of Federal Awards).

Criteria

Code of Federal Regulations, Title 34 §80.20(b)(6) states:

"Source documentation Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contracts and subgrant award documents, etc".

Condition

Management of the School was unable to provide executed contracts for two (2) employees and no time and effort certifications for three (3) employees.

Questioned Costs

\$116,943 (salaries, \$108,633 and benefits of \$8,310).

Context

Total federal award expended for Title I and AARA Cluster for the year ended June 30, 2011 was \$622,646.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-08

Effect or Potential Effect

Potential for disallowance of employee salaries and related benefits of \$116,943 charged to the federal programs

Cause

The School has no established policies and procedures to ensure that all reimbursement requests submitted to granting agencies are accurate and represent allowable costs.

Recommendation

We recommend that management establishes written procedures to ensure that all reimbursable expenses are supported by sufficient and complete documentation.

Management's Response and Planned Corrective Action

During the period under audit, management engaged a management company to perform essential accounting and human resources functions. Management concurs with this recommendation and has disengaged all business and accounting services from the management company (effective 7/1/2011). All business and accounting services are now managed internally. In addition, management has drafted a Financial Policies and Procedures manual, approved by the Board's Finance Committee and is awaiting full board adoption. The draft policies ensure that policies and procedures are in place to ensure that all reimbursement requests are accurate and allowable.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-09

Federal Program

Title I, Part A (see Schedule of Expenditures of Federal Awards).

Criteria

2 CFR Section 230 states:

“Charges to awards for fringe benefits, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of fringe benefits to awards must be supported by appropriate documentation.”

Condition

The School was unable to provide documentation to support health insurance charged to the Title I Federal award program. It is our understanding through discussion with management that the charges were based on an estimate provided by its management company. Further, we were unable to obtain the calculations to support the estimate used by **the School**. Additionally, the estimate is calculated for all employees with no determination as to whether the respective employee is enrolled in **the School's** healthcare plan.

However, the methodology has been accepted by the Department of Education in response to previous audit findings.

Questioned Costs

None.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-09

Context

Total federal award expended for Title I, Part A for the year ended June 30, 2011 was \$497,683.

Effect or Potential Effect

Non-compliance with federal regulations regarding the allowability of charges for costs incurred

Cause

The School has no established written policies or procedures to ensure compliance with federal regulations regarding cost incurred.

Recommendation

We recommend that the School fully document its basis for cost allocation to its respective federal grant awards pursuant to 2 CFR Section 230

Management's Response and Planned Corrective Action

The methodology letter was presented to the Louisiana Department of Education, and was accepted to satisfy questioned costs from the year ended June 2010 audit.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-10

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

80 CFR Section 20(a)(2) states:

“Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.”

Condition

The School was unable to provide an accurate, current and complete schedule of grant expenditures. The Schedule of Expenditures of Federal Awards provided to us did not agree with the general ledger at June 30, 2011.

Questioned Costs

None.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-10

Context

Total federal award expended for the year ended June 30, 2011 was \$1,270,350.

Effect or Potential Effect

Non-compliance with the requirements of 80 CFR Section 20(a)(2).

Cause

The School does not have a formal system in place to ensure the complete and accurate preparation of its Schedule of Expenditures of Federal Awards

Recommendation

We recommend that **the School** establishes and implement policies and procedures to ensure compliance with the requirements of 80 CFR Section 20.

Management's Response and Planned Corrective Action

Management concurs with this recommendation and has disengaged all business and accounting services from the management company (effective 7/12/2011). All business and accounting services are now managed internally. In addition, management has drafted a Financial Policies and Procedures manual, approved by the Board's Finance Committee and is awaiting full board adoption. The draft policies ensure compliance with 80 CFR Section 20(a)(2)

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-11

Federal Program

Title I, Part A (see Schedule of Expenditures of Federal Awards).

Criteria

Paraprofessionals who work in a program supported with Title I, Part A funds and who provide instructional support must meet the following specific qualification requirements: Have completed at least two (2) years of study at an institution of higher education; Have obtained an associate's or higher degree; and have met a rigorous standard of quality, demonstrated through a formal state or local academic assessment.

Condition

The School failed to provide sufficient evidence that one (1) paraprofessional paid with Title I, Part A funds met the Highly Qualified (HQ) status in the instructional area assigned pursuant to the requirements of §1119(a)(1).

Questioned Costs

\$33,763 (\$25,000 in wages and \$8,763 in benefits, respectively).

Context

Federal award expended during the year ended June 30, 2011 was \$1,270,350.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-11

Effect or Potential Effect

Potential for disallowed cost.

Cause

The School does not have established, adequate procedures in place to ensure that only HQ staff are charged to the grant.

Recommendation

The School should implement procedures aimed at ensuring compliance with the requirements of Title I, Part A program

Management's Response and Planned Corrective Action

During the period under audit, **the School's** management company had a human resources process in place that was responsible for the employment eligibility of candidates. In this case, the management company's process failed. Management is considering filing a claim against the management company to recover the disallowed amount.

Management has drafted a Financial Policies and Procedures manual, and is awaiting full board adoption. **The School** will institute a two (2) step process for ensuring the qualifications of staff charged to federal grants.

Stringent requirements and review procedures to prevent re-occurrence.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-12

Federal Program

Title I, Part A (see Schedule of Expenditures of Federal Awards)

Criteria

Non-compliance with a sanctioned deadline mandated by the Louisiana Department of Education.

Condition

The School failed to submit its School Improvement template to the Louisiana Department of Education by the sanctioned deadline of October 22, 2010. The plan was submitted on December 8, 2010.

Questioned Costs

None

Context

Total federal award expended for the year ended June 30, 2011 was \$1,270,350.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-12

Effect or Potential Effect

The School was noncompliant with the sanction previously described.

Cause

The School does not have established procedures to ensure compliance with all reporting requirements

Recommendation

We recommend that the School takes the necessary steps to ensure that all deadlines are adhered to without exception.

Management's Response and Planned Corrective Action

Management concurs with this recommendation and has disengaged all business and accounting services from the management company (effective 7/1/2011). All business and accounting services are now managed internally. In addition, management has drafted a Financial Policies and Procedures manual, approved by the Board's Finance Committee and is awaiting full board adoption. The draft policies ensure that deadlines are adhered to.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-13

Federal Program

Title I, Part A (see Schedule of Expenditures of Federal Awards).

Criteria

The objective of the program is to improve the teaching and learning of children, who are at risk of not meeting challenging academic standards and reside in areas with high concentrations of children from low-income families.

Condition

For five (5) students selected for testing in connection with the Title I, Part A grant, we noted three (3) instances where the students tested in the referenced selection did not show evidence of academic improvement.

Questioned Costs

None.

Context

Total federal award expended for the Title I, Part A program for the year ended June 30, 2011 was \$497,683

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-13

Effect or Potential Effect

The change in the academic levels for the selected students failed to meet the objective of Title I, Part A program requirements.

Cause

Challenges encountered in the implementation of strategies aimed at improving the academic level of its students

Recommendation

The School should continue to evaluate its current strategies aimed towards attainment of its contractual deliverables.

Management's Response and Planned Corrective Action

Management will continue to evaluate current educational strategies in an effort to reach measurable growth for all students

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-14

Federal Program

IDEA, Part B (see Schedule of Expenditures of Federal Awards).

Criteria

2 CFR Section 230 states:

“Charges to awards for fringe benefits, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of fringe benefits to awards must be supported by appropriate documentation ”

Condition

The School was unable to provide documentation to support health insurance charges to federal awards. The charges were based on an estimate provided by its management company. Further, we were unable to obtain the calculations to support the estimate. Additionally, the estimate was calculated for all employees with no determination that the respective employee is enrolled in **the School's** healthcare plan.

However, the methodology has been accepted by the Department of Education in response to previous audit findings

Questioned Costs

None.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-14

Context

Total federal award expended for the year ended June 30, 2011 was \$1,270,350.

Effect or Potential Effect

The School has not complied with federal regulations regarding charges for costs incurred.

Cause

The School has no established written policies or procedures to comply with federal regulations 2 CFR Section 230.

Recommendation

We recommend that **the School** fully document its basis for cost allocation to its respective federal grant awards pursuant to 2 CFR Section 230.

Management's Response and Planned Corrective Action

The methodology letter was presented to the Louisiana Department of Education, and was accepted to satisfy questioned costs from the year ended June 2010 audit

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-15

Federal Program

IDEA, Part B, Preschool and ARRA Cluster (see Schedule of Expenditures of Federal Awards).

Criteria

Code of Federal Regulations, Title 34 §80 20 (b)(6) states,

"Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contracts and subgrant award documents, etc."

Condition

The School requested and received four (4) reimbursements of \$7,983, \$4,137, \$8,190, and \$3,215 totaling \$23,525 for expenditures which could not be supported by invoices or by payments. Additionally, we noted that a request for reimbursement was made for expenditures totaling \$8,671 when supporting documentation totaled \$7,955 (a difference of \$716).

Questioned Costs

\$24,241.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-15

Context

Total federal award expended for the year ended June 30, 2011 was \$1,270,350.

Effect or Potential Effect

Potential overpayment in award expenditures.

Cause

The School has no established adequate procedures to ensure that reimbursement requests submitted to granting agencies are accurate and for allowable costs

Recommendation

We recommend that the School establishes procedures and implement to ensure that expenses are requested for only allowable grant expenses and are supported by sufficient, competent, and relevant documentation.

Management's Response and Planned Corrective Action

Management concurs with this recommendation and has disengaged all business and accounting services from the management company (effective 7/1/2011) All business and accounting services are now managed internally. In addition, management has drafted a Financial Policies and Procedures manual, approved by the Board's Finance Committee and is awaiting full board adoption. The draft policies ensure that reimbursement requests submitted to granting agencies are accurate and for allowable costs.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-16

Federal Award

IDEA, Part B, Preschool and Special Education ARRA Cluster (see Schedule of Expenditures of Federal Awards)

Criteria

Code of Federal Regulations, Title 34 §80 30(b)(6) states,

“Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contracts and subgrant award documents, etc ”

Condition

The School was unable to provide executed contract for one (1) employee and time and effort certification for another employee.

Questioned Costs

\$31,617 (salaries, \$29,370 and benefits, \$2,247).

Context

Total federal award expended for the year ended June 30, 2011 was \$1,270,350

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-16

Effect or Potential Effect

Employee salaries and related benefits were overstated by \$31,617 in the federal program.

Cause

The School has no established procedures to ensure that reimbursement requests submitted to granting agencies are accurate and for allowable costs.

Recommendation

We recommend that **the School** establishes and implement procedures to ensure that expenses are requested for only allowable grant costs and are supported by sufficient, competent, and relevant documentation.

Management's Response and Planned Corrective Action

Management concurs with this recommendation and has disengaged all business and accounting services from the management company (effective 7/1/2011). All business and accounting services are now managed internally. In addition, management has drafted a Financial Policies and Procedures manual, approved by the Board's Finance Committee and is awaiting full board adoption. The draft policies ensure that reimbursement requests submitted to granting agencies are accurate and for allowable costs.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-17

Federal Program

IDEA, Part B, Special Education ARRA Cluster (see Schedule of Expenditures of Federal Awards)

Criteria

EDGAR §74 34(f) states:

“that there should be administrative control of property/inventory, (materials, supplies and equipment) purchased with federal funds. EDGAR 80.32 requires visible identification of grant purchased assets and be included in inventory records.”

Condition

The School failed to provide sufficient evidence that there is administrative control of property/inventory (materials, supplies and equipment) An equipment purchased of \$7,955 selected for testing was not included in the listing of equipment purchased with federal funds.

Questioned Costs

None.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-17

Context

Total federal award expended for the year ended June 30, 2011 was \$1,270,350.

Effect or Potential Effect

Equipment not properly recorded in **the School's** detail property ledger.

Cause

The School lacked compliance with federal regulations.

Recommendation

We recommend that **the School** takes the necessary steps to ensure that equipment purchased with federal funds are properly recorded in **the School's** detail property ledger.

Management's Response and Planned Corrective Action

The piece of equipment selected for testing was provided to the auditors and was later included in the listing of equipment purchased with federal funds.

In addition, management has drafted a Financial Policies and Procedures manual, approved by the Board's Finance Committee and is awaiting full board adoption. The draft policies ensure that equipment is properly tagged, its location is documented, inventoried, and inspected yearly

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-18

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

2 CFR Section 215 44(a) states:

“All recipients shall establish written procurement procedures. These procedures shall provide for, at a minimum, that paragraphs (a) (1), (2) and (3) of this section apply.”

Condition

The School's written procurement policy is not in alignment with 2 CFR Section 215.44 or the procurement requirements of the State of Louisiana.

Questioned Costs

None.

Context

Total federal award expended for the year ended June 30, 2011 was \$1,270,350.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-18

Effect or Potential Effect

The School has not complied with federal or state procurement regulations.

Cause

Management lacked procedures to ensure alignment of its procurement policies and procedures with federal and state regulations

Recommendation

We recommend that the School establishes and implement a written procurement policy, as outlined in 2 CFR Section 215.44 and Louisiana State Revised Statutes.

Management's Response and Planned Corrective Action

The School will adopt a written procurement policy by no later than May 30, 2012 to accommodate the requirements of 2 CFR Section 215.44 and the Louisiana State Revised Statutes.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-19

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

2CFR Section 215.45 states:

“Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.”

Condition

We noted no documented evidence to support the type and basis for procurement of supplies exceeding the small purchase threshold of \$25,000 from two vendors. **The School** also entered into a contract exceeding the small purchase threshold with one vendor to provide services.

Questioned Costs

None.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-19

Context

Total federal award expended for the year ended June 30, 2011 was \$1,270,350.

Effect or Potential Effect

The procurement of goods and the contract selection as referenced above were not made in compliance with federal regulations.

Cause

The School lacked adequate procedures to ensure compliance with procurement regulations.

Recommendation

We recommend that **the School** take the necessary steps to ensure that all procurement activities and fully documented to support the basis and type.

Management's Response and Planned Corrective Action

Management concurs with this recommendation and has disengaged all business and accounting services from the management company (effective 7/1/2011). All business and accounting services are now managed internally. In addition, management has drafted a Financial Policies and Procedures manual, approved by the Board's Finance Committee and is awaiting full board adoption. The draft policies ensure that some form of cost/price analysis is conducted and documented in connection with every procurement action.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-20

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Effective November 26, 2003, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded

Condition

The School executed procurement contracts for goods and services exceeding the \$25,000 "small purchases" threshold without documented verification that the respective vendor was not suspended, debarred or otherwise excluded.

Questioned Costs

None.

Context

Total federal award expended for the year ended June 30, 2011 was \$1,270,350.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-20

Effect or Potential Effect

The School entered into covered transactions, as outlined in federal regulations, that may be with suspended, debarred or otherwise excluded parties.

Cause

Management lacked established procedures to ensure compliance with the suspension and debarment rules and regulations

Recommendation

We recommend that **the School** verify by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and retaining documentation of the search, collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity

Management's Response and Planned Corrective Action

Management concurs with this recommendation and has disengaged all business and accounting services from the management company (effective 7/1/2011). All business and accounting services are now managed internally. In addition, management has drafted a Financial Policies and Procedures manual, approved by the Board's Finance Committee and is awaiting full board adoption. The draft policies ensure that the EPLS maintained by the GSA is checked, and documentation is retained prior to contractual agreements

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs

Reference Numbers

2010-01 and 2009-02

Condition

Upon receipt of **the School's** general ledger, we noted the following significant deficiencies in the internal control over financial reporting that we consider material weaknesses in that they represented material misstatements in **the School's** financial statements (i.e. general ledger) that was not prevented or detected and corrected on a timely basis by management or employees in the normal course of performing their assigned functions.

o **Prepaid Expenses**

Upon receipt of **the School's** general ledger, we noted that included in prepaid expenses at June 30, 2010 was approximately \$53,800 of which approximately \$27,800 dated back to the prior year. We were initially unable to ascertain the composition of the prepaid balances based on our inquiries of management of **the School**. Our additional audit procedures and inquiries necessitated audit adjustments to properly state prepaid balances at June 30, 2010.

o **Capitalized Cost and Related Depreciation Expense**

Upon receipt of **the School's** depreciation calculation, we noted that it's **the School's** policy that capitalized assets are depreciated on a straight-line basis. Our initial observations revealed that depreciation expense was calculated incorrectly. These errors resulted in a recalculation of depreciation expense and audit adjustments to properly state capitalized assets and depreciation expense as of and for the year ended June 30, 2010.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers, Continued

2010-01 and 2009-02

Condition, Continued

o **Accounts Payable and Accrued Liabilities**

Upon receipt of **the School's** general ledger, included in liabilities were approximately \$89,300 identified as accounts payable. Upon our initial inquiry of management, we were unable to obtain a supporting detail as to which vendors were owed payments aggregating to \$89,300. Additionally, our inquiries revealed that the \$69,700 identified as "bonuses payable" were not true liabilities but actually amounts designated for potential future bonus payments that had not been declared and approved for payment by **the School** as of June 30, 2010. During the course of our additional inquiries and audit procedures we were unable to ascertain the necessity for an audit adjustment to properly state and classify these balances.

Recommendation

We recommended that the internal controls over financial reporting be strengthened to ensure the fair and accurate presentation of account balances, as reflected in the accounting books and records of **the School**

Current Status

Partially resolved.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-02

Condition

During the course of the audit, we noted that while a significant portion of **the School's** financial operations are performed by a management company, there appears to be a lack of sufficient communication and expertise at **the School** to adequately evaluate transactions executed by the management company on behalf of **the School** and to accept responsibility for **the School's** financial statements and adequacy of disclosure under generally accepted accounting principles

Recommendation

We recommended that **the School** designate an individual with sufficient knowledge and expertise to ensure sufficient communication with the management company; evaluate the transactions executed by the management company on behalf of **the School** and to accept responsibility for **the School's** financial statements and adequacy of disclosure under generally accepted accounting principles

Current Status

Partially resolved See current year's findings reference numbers 2011-01 and 2011-06.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-03

Condition

Upon our review of a statement of **the School's** account with the management company, we noted included in amounts billed to **the School** were \$112,500 of cost identified as "reimbursable cost" Based on our inquiries of management, these reimbursable costs were not actually reimbursable costs but were costs that were incorrectly coded and posted to the general ledger and not reimbursable to the management company.

Recommendation

We recommended that management obtain and review on a timely basis documentation supporting reimbursable cost billed to **the School** to determine its accuracy and propriety.

Current Status

Partially resolved. See current year's findings reference numbers 2011-02, 2011-07 and 2011-05.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-04

Condition

During the course of our audit, we selected: (a) twenty (20) check disbursement transactions made by **the School** from bank accounts maintained by **the School**; (b) twenty (20) cash receipt transactions deposited to the bank accounts maintained by **the School**; and (c) twenty (20) general journal transactions representing transactions executed by the management company on behalf of **the School**. The results of our testwork revealed the following:

Disbursements – School Bank Accounts

- o Of the twenty (20) disbursements selected for testing, one (1) disbursement lacked adequate supporting documentation in support of the amount disbursed and classification of the disbursement.

Receipts – School Bank Accounts

- o Of the twenty (20) receipts selected for testing, eight (8) receipts lacked adequate supporting documentation in support of the amount received and classification of the receipt

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2010-04

Condition, Continued

General Journal Transactions

- o Of the twenty (20) general journal transactions selected for testing, seven (7) of those transactions involved in the posting of monthly payroll related transactions. Those seven (7) transactions included "soft close" and "summer pay" accruals for which we were unable to ascertain the method for the calculation of those accruals;
- o Of the twenty (20) general journal transactions selected for testing, four (4) of those transactions involved the posting of medical insurance cost. We were unable to ascertain the method for the calculation and allocation of medical cost to **the School**. For the year ended June 30, 2010, medical insurance cost allocated to **the School** approximated \$385,000;
- o Of the twenty (20) general journal transactions selected for testing, one (1) of those transactions involved the monthly "bonus" accrual. We were unable to ascertain the method for calculation for the "bonus" accrual entry,

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2010-04

Condition, Continued

General Journal Transactions, Continued

- o Of the twenty (20) general journal entries selected for testing, three (3) of those transactions involved posting of payments for contracted services related to maintenance, transportation and food services. Monthly cost for these contracted services approximated \$28,000 for maintenance, \$59,000 for transportation and \$27,000 for food services. We were unable to review the contracts for these services, but only amendments in the form of "option renewals" for the transportation and maintenance contracts. Additionally, the "option renewals" for maintenance and transportation were executed by representatives of **the School's** management company and we were unable to obtain signed agreements for the food service contract;
- o Of the twenty (20) general journal transactions selected for testing, two (2) of those transactions involved posting of utilities (gas & electric and water) for **the School**. We were unable to agree the utility cost posted to a supporting utility invoice(s); and
- o Of the twenty (20) general journal transactions selected for testing, one (1) transaction involved the posting of cost of \$89,534 for various equipment purchased and charged to classroom supplies. Of this amount, \$54,024 represents equipment above **the School's** capitalization threshold and should have been capitalized. An audit adjustment was recorded to properly classify these capitalizable costs.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2010-04

Recommendation

We recommended that **the School** implement the necessary internal control procedures to ensure the adequacy, accuracy and retention of supporting documentation for all transactions executed by **the School** and by the management company on behalf of **the School**.

Current Status

Resolved.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-05

Condition

During the course of our audit, we noted that upon receipt, **the School** forwards all "External Public Funds" [i.e. State and Local Minimum Foundation Program (MFP) funds and all Federal awards and grant funds] directly to its management company to cover the majority of the day-to-day operating expenses of **the School**. The management company subsequently forwards to **the School** summary schedules of transactions executed on behalf of **the School** and those transactions are posted in summary form, via journal entries, to the general ledger maintained by **the School**. Electronic images of the applicable supporting documentation (i.e. vendor invoices, cancelled check images, etc.) for those transactions are available upon request from the management company. The originals of this documentation remain in the custody of the management company and are not routinely provided to **the School** and reconciled by **the School** to the various summary schedules of transactions previously provided by the management company.

Recommendation

We recommended that all original documentation in support of transactions executed by the management company on behalf of **the School** be forwarded to **the School** on a routinely and timely basis to support transactions posted to **the School's** general ledger and that the original documentation be periodically reconciled to the summary schedules of transactions executed by the management company.

Current Status

Partially resolved See current year's finding reference number 2011-02

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-06

Condition

During the course of our audit we selected a sample of payroll transactions posted to the general ledger maintained by **the School** from spreadsheets provided to **the School** by the management company. During the course of our test work, we noted that included in the payroll transaction amount posted to **the School's** general ledger were various system generated "soft close" monthly accruals which were represented to us as being reversed in the subsequent period but we were unable to ascertain the method for the calculation for the monthly "soft close" accruals. Additionally, included were monthly "summer pay" accruals for which we were unable to ascertain the method for the calculation for the monthly "summer pay" accruals.

Additionally, included in the payroll transactions selected for testing were payroll cost associated with **the School's** principal that were not included in the payroll register of **the School** due the principal being classified as an employee of the management company and not **the School**. The payroll costs associated with **the School's** principal were included in the spreadsheets provided to **the School** by the management company and posted to the general ledger maintained by **the School**.

Recommendation

We recommended that the monthly "soft close" and "summer pay" payroll accruals be reviewed to determine the reasonableness of its calculation in relation to the payroll cost charged to **the School**.

Current Status

Partially resolved See current year's finding reference number 2011-02.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-07

Condition

The School has not requested a calculation of the net profit earned by the management company from the operation of **the School**.

Recommendation

We recommended that **the School** exercise its rights under the terms and conditions of the management agreement to: (a) request a calculation of the net profit earned by the management company from operation of **the School**, and (b) if there is a disagreement in the calculation, engage an independent certified public accounting firm to review such calculation and all related work papers, and issue its own calculation of net profit.

Current Status

Unresolved. See current year's finding reference number 2011-05.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-08

Condition

During the course of our testing, we noted that only scanned images of vendor invoices, canceled checks, contracts, etc supporting various disbursements made on behalf of **the School** by the management company were available for our review and inspection. *Government Auditing Standards* indicate that "auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions" Those standards also indicate, while the nature and types of evidence to support auditors' findings and conclusions are matters of the auditors' professional judgment based on the audit objectives and audit risk, examination of original documents is generally more reliable than examination of copies.

Recommendation

We recommended that **the School** obtain and maintain on file, original vendor invoices and contracts supporting disbursements made to vendors by the management company on behalf of **the School**. Additionally, we recommended that **the School** develop a record retention policy that allows for destruction of original vendor invoices after a predetermined timeframe and maintenance of those scanned images subsequent to destruction of original vendor invoices.

Current Status

Partially resolved. See current year's finding reference numbers 2011-02 and 2011-07.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-09

Condition

As reported in the prior year, disbursement transactions relating to expenditures made on behalf of **the School** by the management company were recorded to an accounting system maintained and operated by the management company and all transactions were not recorded in a centralized information system maintained by **the School**. Additionally, all expenditures made by the management company on behalf of **the School** were disbursed from a bank account also maintained by the management company. In the current year, all transactions related to the activities of **the School** were recorded via journal entry in the accounting system maintained by **the School's** based on spreadsheets provided by the management company. However, based on our inquiries of management, adequate underlying documentation supporting those transactions executed by the management company on behalf of **the School** are not routinely and consistently provided to **the School** by the management company.

Recommendation

We recommended that the management of **the School** ensure that it is provided adequate supporting documentation in support of transactions executed on its behalf by the management company.

Current Status

Partially resolved. See current year's findings reference numbers 2011-02 and 2011-07.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-10

Condition

During the inception of our audit procedures, we noted that **the School's** various general ledger account coding and classifications are not currently structured to conform to the requirements of the *Louisiana Accounting and Uniform Governmental Handbook*. As a result, during the preliminary phase of the audit a manual restructuring and conversion was necessitated to conform to those requirements

Recommendation

We recommended that **the School's** general ledger account coding and classifications be revised to conform to the requirements of the *Louisiana Accounting and Uniform Governmental Handbook* to eliminate the need for a manual restructuring or conversion.

Current Status

Unresolved. See current year's finding reference number 2011-03

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers

2010-11 and 2009-03

Condition

The audited financial statements of **the School** as of and for the year ended June 30, 2010 were not submitted to the Louisiana Legislative Auditor by the statutory due date of December 31, 2010 as required by LSA-RS 24:513(A)(5)(I).

Recommendation

We again recommended that **the School** review its financial reporting procedures to ensure that its annual audited financial statements are submitted to the Louisiana Legislative Auditor within the required timeframe.

Current Status

Unresolved. See current year's finding reference number 2011-04.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-12

Condition

During the course of our testwork we noted that during the year **the School** purchased supplies exceeding the small purchase threshold of \$25,000 for "brand name" products from two (2) vendors. Additionally, we also noted that **the School** also entered into contract, exceeding the small purchase threshold with one (1) additional vendor to provide services. Our review of the procurement of these items indicated that a cost or price analysis was not documented in the procurement files, documenting the basis for the vendor or contract selection, justification for lack of competition or the basis for cost or price in connection with these three (3) procurement transactions

Recommendation

We recommended that **the School** take the necessary steps to ensure that some form of cost or price analysis is conducted and documented in the procurement files in connection with every applicable procurement transaction.

Current Status

Resolved.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-13

Condition

During our audit, **the School** was unable to provide documentation to support health insurance costs charged to federal awards programs. Based on our discussions with management, the charges were based on a management's estimate of insurance costs as provided by the management company. We were unable to obtain the basis for the calculations for the estimates. Additionally, the estimate is made for all employees with no determination that the employee is actually a participant in the healthcare plan.

Recommendation

We recommended that **the School** establish policies and procedures to support fringe benefits, as outlined in 2 CFR Section 230

Current Status

Resolved

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-14

***Condition**

We noted during our audit that **the School** requested and received duplicate funding of \$41,533 in error from the funding source

Recommendation

We recommended that **the School** establish policies and procedures to comply with 2 CFR Subpart C

Current Status

Unresolved.

*Repeated

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-15

Condition

During our audit, we noted that **the School** received advanced funding of nine (9) of forty (40) disbursements tested.

Recommendation

We recommended that **the School** take the necessary steps to ensure that cash management analysis is conducted in connection with every reimbursement action

Current Status

Resolved

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-16

Condition

We noted during our testing of cash disbursements that the **School** entered into procurement contracts for goods and services exceeding the \$25,000 "covered transactions" threshold without verification that the vendor was not suspended, debarred or otherwise excluded.

Recommendation

We recommended that **the School** verify vendors' suspension and debarment status by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity or adding a clause or condition to the covered transaction contract with the entity.

Current Status

Resolved.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-17

Condition

We noted during our audit that **the School's** written procurement policy is not in alignment with 2 CFR Section 215.44.

Recommendation

We recommended that **the School** establish a written procurement policy, as outlined in 2 CFR Section 215 44

Current Status

Resolved

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-18

Condition

We noted during our audit that **the School** was unable to provide from its accounting books and records (general ledger) accurate, current and complete identification of federal grant expenditures.

Recommendation

We recommended that **the School** establish financial management policies and procedures to comply with 2 CFR 215.21.

Current Status

Resolved.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-19

Condition

We noted during our audit that **the School** does not retain supporting time and attendance documentation subsequent to the close of a calendar year to support salaries and wages and other compensated absences charged to federal awards.

Recommendation

We recommended that **the School** establish policies and procedures related to retention of time and attendance documentation in support of salaries and wages, as outlined in 2 CFR Section 230

Current Status

Resolved.

BROADMOOR CHARTER SCHOOL BOARD, INC.
SUMMARY SCHEDULE FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2009-04

Condition

The nature of the accounting records availed itself to material audit adjustments.

Recommendation

We recommended that management institute the necessary policies and procedures aimed at the timely and periodic review and analysis of its financial statements to ensure completeness.

Current Status

Unresolved. See current year's finding reference numbers 2011-02 and 2011-07.

BROADMOOR CHARTER SCHOOL BOARD, INC.

EXIT CONFERENCE

The audit report was discussed during the course of the audit and at an exit conference held with the management of **the School**. The individuals who participated in those discussions were as follows

BROADMOOR CHARTER SCHOOL BOARD, INC.

Mr. Darius Munchak	--	Operations Manager
Mr. Santiago Burgos	--	Board Member
Ms. Kristyna Jones	--	Board Member - Chairman Finance Committee

BRUNO & TERVALON LLP CERTIFIED PUBLIC ACCOUNTANTS

Mr. Paul K. Andoh, Sr., CPA	--	Partner
Ms. Shannon Glapion, CPA	--	Senior



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Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

(Retired)
Michael B. Bruno, CPA (2011)

INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS RELATED TO INTERNAL CONTROL

To the Board of Directors of
Broadmoor Charter School Board, Inc.

In planning and performing our audit of the financial statements of **Broadmoor Charter School Board, Inc. (the School)** as of and for the year ended June 30, 2011 in accordance with auditing standards generally accepted in the United States of America, we considered **the School's** internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, and not for the purpose of expressing an opinion on the effectiveness of **the School's** internal controls. Accordingly, we do not express an opinion on the effectiveness of **the School's** internal controls.

However, during our audit we became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency. A separate letter dated January 30, 2012 contains our communication of significant deficiencies or material weaknesses in **the School's** internal control. This letter does not affect our report dated January 30, 2012 on the financial statements of **the School**.

We will review the status of these other matters during our next audit engagement. We have already discussed many of these other matters with various **School** personnel, and we will be pleased to discuss them in further detail at your convenience.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

2011

The following summarizes our report on other matters related to internal control:

Condition

The current financial reporting system does not facilitate the timely and accurate reporting of financial statements on a monthly basis.

Recommendation

Management should restructure its current financial reporting system to ensure the preparation of its monthly financial statements for board review.

Management's Response and Planned Corrective Action

Management concurs with this finding. The **Broadmoor Charter School Board** will take the necessary steps to prevent the reoccurrence of this finding, by implementing its drafted Financial Policies and Procedures Manual. Contained within the manual are defined reporting requirements.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

2011

Condition

Our review of **the School's** current operating processes and practices revealed the lack of a formalized accounting and procedural manual.

Recommendation

We recommend that management develop for staff's use an accounting and procedural manual to ensure consistency in the accounting process and reporting functions.

Management's Response and Planned Corrective Action

Management has drafted an accounting and procedural manual and submitted it for Board review.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

2011

Condition

Because of the personnel size of the School's finance section, the important elements of internal control and segregation of duties cannot always be achieved to ensure adequate protection and safeguarding of the School's assets.

Recommendation

We recommend that as a part of the restructuring of the its financial operations, management should evaluate the need for enhanced oversight over the processing and financial reporting functions.

Management's Response and Planned Corrective Action

Contained with the Accounting Procedural Manual is a process checklist that includes formal segregation of duties. In addition, the hiring of an additional staff member will ease the burden on the School's Operations Manager.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

2011

Condition

The School uses various software systems to accumulate accounting and other information on a regular basis. However, we noted no formal written plan in place to require the offsite storage of all pertinent accounting and other data.

Recommendation

We recommend that management address the need for a disaster recovery plan. Areas that should be addressed in a disaster recovery plan include the following:

- o Definition of threats and risk (including likely effects on the School)
- o Operating security
- o Processing priorities.
- o Disaster recovery planning (as appropriate).
- o Insurance coverage available or desirable

Management's Response and Planned Corrective Action

Management will draft a written plan. All financial information is backed up utilizing Quickbooks Online Backup Service which allows for 25GB of storage. This allows for back-up of both the company file and any entered invoices. In addition, all payroll documentation is managed by a third party and is housed off-site.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

2011

Condition

The June 30, 2011 bank reconciliations lacked any evidence of management review

Recommendation

We recommend that all bank account reconciliations to include significant general ledger account analysis should be reviewed and evidence of such review documented by management.

Management's Response and Planned Corrective Action

Management concurs with this finding. **The School** will take necessary steps to prevent the reoccurrence of this finding, by implementing its drafted Financial Policies and Procedures Manual.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

2010 and Prior

The following is a status of prior year's other matters related to internal control:

***Condition**

During the course of the audit, we reviewed the minutes of meetings of **the School's** Board of Directors. The review of the minutes indicated that there was not consistent documented evidence of a review of **the School's** financial statements on a monthly basis nor any documented evidence of discussions concerning highlights, trends or other issues from **the School's** statement of financial position or statement of activities.

Recommendation

We recommended that **the School's** Boards of Directors review **the School's** financial statements on a monthly basis and that the evidence of that review and resulting discussions be reflected in the minutes of its meetings.

Current Status

Unresolved

Management concurs with this finding. **The School** will take necessary steps to prevent the reoccurrence of this finding, by implementing its drafted Financial Policies and Procedures Manual.

*Repeated.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

2010 and Prior, Continued

***Condition**

The size of **the School's** accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain involved in the financial affairs of **the School** to provide oversight and independent review functions.

Recommendation

We recommended that the Board of Directors of **the School** continue to be closely involved in the financial affairs of **the School** to provide oversight and independent review functions.

Current Status

Partially resolved

The Board of Directors will remain closely involved in the affairs of **the School**, and provide oversight and independent review functions.

*Repeated.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

2010 and Prior

***Condition**

The School's current capitalization policies state that items with a useful life greater than one (1) year and cost at least \$1,000 (\$500 for curriculum) or \$1,000 for bulk items are to be capitalized and depreciated over their estimated useful lives.

Recommendation

In an effort to ensure that the benefits of maintaining fixed assets records exceed the related cost, we recommended that **the School** re-examine their capitalization policies and choose to institute a higher capitalization threshold, amount in-line with the required threshold of the State of Louisiana.

Current Status

Unresolved

Management concurs with this finding **The School** will take necessary steps to prevent the reoccurrence of this finding, by implementing its drafted Financial Policies and Procedures Manual Management will adopt a capitalization policy in line with the State of Louisiana.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

This report is intended solely for the information and use of management, the School's Board of Directors, the Louisiana Recovery District and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

January 30, 2012

BROADMOOR CHARTER SCHOOL BOARD, INC.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
ON
PERFORMANCE AND STATISTICAL DATA**

FOR THE YEAR ENDED JUNE 30, 2011

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**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
Broadmoor Charter School Board, Inc.

We have performed the procedures enumerated below as required by State of Louisiana R.S. 24:514 and listed in the *Louisiana Governmental Audit Guide*. The procedures were agreed to by the management of **Broadmoor Charter School Board, Inc. (the School)** and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the accompanying performance and statistical data and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE). This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the following procedures described either for the purpose for which this report has been requested or for any other purpose.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS

Our procedures performed, our findings and management's response as applicable, related to the accompanying schedules (Schedules 1 through 9) are summarized as follows:

***General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources (SCHEDULE 1)***

Procedure

- 1 We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following reported on the schedule
 - Total General Fund Instructional Expenditures, and
 - Total General Fund Equipment Expenditures.

Finding

In four (4) of twenty-five (25) cash disbursement transactions reviewed, we noted the absence of supporting documents such as invoice, etc. to substantiate the purchase.

Further in nine (9) of the twenty-five (25) transactions referenced above, we noted differences between the check amounts and invoices provided to support the respective transactions

Management's Response and Planned Corrective Action

Management concurs with this finding. **The School** will take the necessary steps to prevent the reoccurrence of this finding by implementing its drafted Financial Policies and Procedures Manual. Within the policy manual, invoices are to be maintained at **the School** and check stubs are to be stapled to the invoices after they are processed for payment.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Education Levels of Public School Staff (SCHEDULE 2)

Procedure

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (SCHEDULE 4) to the combined total number of full-time classroom teachers per this schedule and to the School's supporting payroll records as of October 1, 2010

Finding

Based on a variance in the total number of full-time classroom teachers per Schedule 4 and supporting payroll records we reviewed and noted the following.

In one (1) instance a classroom teacher was not reported in the Profile Educational Personnel ("PEP") report as of October 1, 2010. Further, a teacher's social security number was incorrectly reported and the teacher's certification status was misclassified as uncertified in the PEP report as of October 1, 2010.

Management's Response and Planned Corrective Action

Management concurs with this finding. Future PEP reports will be reviewed by a supervisor prior to submission.

Procedure

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (SCHEDULE 4) to the combined total of principals and assistant principals per this schedule.

Finding

We noted no differences between Schedules 2 and 4 for the combined total of principals and assistant principals.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Education Levels of Public School Staff (SCHEDULE 2), Continued

Procedure

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2010 and as reported on the schedule. We traced a random sample of 25 teachers to their individual personnel file and determined if the individual's education level was properly classified on the schedule

Finding

Of the twenty-five (25) teachers tested, we noted in two (2) instances where the educational level reported in Schedule 2 varied from the level evidenced in the personnel file.

Management's Response and Planned Corrective Action

Management concurs with this finding. Data submitted on Schedule 2 will be reviewed by a supervisor prior to finalization.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Number and Type of Public Schools (SCHEDULE 3)

Procedure

- 5 We obtained a list of schools by type as reported on the "Number and Type of Public Schools" (SCHEDULE 3) and compared to Schools and grade levels reports.

Finding

The School operates only one charter school, which includes grades K to 8th.

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (SCHEDULE 4)

Procedure

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2010 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule

Finding

In four (4) instances of the twenty-five (25) files reviewed, we noted variances between the years of experience on file and that reported by the School.

Management's Response and Planned Corrective Action

Management concurs with this finding. All personnel files will be reviewed and updated periodically to reflect changes in education level.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Public School Staff Data (SCHEDULE 5)

Procedure

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation and full-time equivalents were properly included on the schedule

Finding

In four (4) of the twenty-five (25) files reviewed, management was unable to provide executed contracts to support the compensation amount for each of the contractors. Also, noted variances in three (3) instances in the gross pay rate per the payroll register and as recalculated by us.

Management's Response and Planned Corrective Action

Furnishing and maintenance of employee contracts was a function of the School's management company. Following separation from the management company, all employee files are maintained on-site and internally audited periodically for accuracy. Employee contracts are maintained within the personnel file.

Procedure

8. We recalculated the average salaries and full-time equivalents reported in the schedule

Finding

No differences noted based on information provided

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Class Size Characteristics (SCHEDULE 6)

Procedure

- 9 We obtained a list of classes by school, school type and class size as reported on the schedule. We then traced a random sample of 10 classes to the October 1, 2010 roll books for those classes and determined if the class was properly classified on the schedule.

Finding

No differences noted in the classification of class size

**Louisiana Educational Assessment Program (LEAP) for
the 21st Century (SCHEDULE 7)**

Procedure

- 10 We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **the School**.

Finding

No differences noted in the reported scores

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Graduation Exit Exam for the 21st Century (SCHEDULE 8)

Procedure

- 11 We did not obtain test scores as provided by the testing authority and reconcile scores as reported by the testing authority to scores reported in the schedule by **the School**

Finding

This procedure was not applicable because **the School** operates only one charter school, which includes grades K to 8th

The Iowa and iLEAP Tests Examination (GEE) (SCHEDULE 9)

Procedure

- 12 We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **the School**.

Finding

No differences noted in the reported scores.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management, Board of Directors, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

January 30, 2012

**Broadmoor Charter School Board, Inc.
New Orleans, Louisiana**

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2011**

General Fund Instructional and Equipment Expenditures

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 1,789,302	
Other Instructional Staff Activities	165,437	
Employee Benefits	487,060	
Purchased and Professional and Technical Services	244,659	
Instructional Materials and Supplies	228,352	
Instructional Equipment	<u>60,504</u>	
Total Teacher and Student Interaction Activities		\$ 2,975,314
Other Instructional Activities		0
Pupil Support Activities	315,749	
Less Equipment for Pupil Support Activities	<u>0</u>	
Net Pupil Support Activities		315,749
Instructional Staff Services	195,050	
Less Equipment for Instructional Staff Services	<u>0</u>	
Net Instructional Staff Services		195,050
School Administration	306,264	
Less Equipment for School Administration	<u>0</u>	
Net School Administration		<u>306,264</u>
Total General Fund Instructional Expenditures		\$ <u>3,792,377</u>
Total General Fund Equipment Expenditures		\$ <u>3,904</u>

Certain Local Revenue Sources

Local Taxation Revenue		
Constitutional Ad Valorem Taxes	\$ 0	
Renewable Ad Valorem Taxes	0	
Debt Service Ad Valorem Taxes	0	
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	0	
Sales and Use Taxes	<u>0</u>	
Total Local Taxation Revenue		\$ <u>0</u>
Local Earnings on Investment in Real Property		
Earnings from 16th Section Real Property	\$ 0	
Earnings from Other Real Property	<u>0</u>	
Total Local Earnings on Investment in Real Property		\$ <u>0</u>
State Revenue in Lieu of Taxes		
Revenue Sharing - Constitutional Tax	\$ 0	
Revenue Sharing - Other Taxes	0	
Revenue Sharing - Excess Portion	0	
Other Revenue in Lieu of Taxes	<u>0</u>	
Total State Revenue in Lieu of Taxes		\$ <u>0</u>

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures

**Broadmoor Charter School Board, Inc.
New Orleans, Louisiana**

**Education Levels of Public School Staff
As of October 1, 2010**

Category	Full-time Classroom Teachers				Principals and Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	17	50.0%	5	14.7%				
Master's Degree	10	29.4%	1	2.9%	1	50.0%	1	50.0%
Master's Degree + 30	1	2.9%						
Specialist in Education								
Ph D or Ed D								
Total	28	82.4%	6	17.6%	1	50.0%	1	50.0%

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures

Schedule 3**Broadmoor Charter School Board, Inc.
New Orleans, Louisiana****Number and Type of Public Schools
For the Year Ended June 30, 2011**

Type	Number
Elementary	1
Middle/Jr. High	
Secondary	
Combination	
Total	1

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures.

Schedule 4**Broadmoor Charter School Board, Inc.
New Orleans, Louisiana****Experience of Public Principals, Assistant Principals and Full-time Classroom Teachers
As of October 1, 2010**

Classification	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs	25+ Yrs.	Total
Principals			1					1
Assistant Principals							1	1
Classroom Teachers	7	9	12	0	2	1	3	34
Total	7	9	13	0	2	1	4	36

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures.

**Broadmoor Charter School Board, Inc.
New Orleans, Louisiana****Public School Staff Data: Average Salaries
For the Year Ended June 30, 2011**

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$45,424	\$44,926
Average Classroom Teachers' Salary Excluding Extra Compensation	\$46,552	\$44,926
Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries	37	36

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures

**Broadmoor Charter School Board, Inc.
New Orleans, Louisiana**

**Class Size Characteristics
As of October 1, 2010**

School Type	Class Size Range									
	1-20		21-26		27-33		34+		Total	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	6.8%	11	45.7%	74	28.4%	46	0.0%	0	80.9%	131
Elementary Activity Classes	1.2%	2	11.1%	18	6.8%	11	0.0%	0	19.1%	31
Middle/Jr High										
Middle/Jr High Activity Classes										
High										
High Activity Classes										
Combination	6.8%	11	45.7%	74	28.4%	46	0.0%	-	80.9%	131
Combination Activity Classes	1.2%	2	11.1%	18	6.8%	11	0.0%	-	19.1%	31

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures

Broadmoor Charter School Board, Inc
New Orleans, Louisiana

Louisiana Educational Assessment Program (LEAP)
For the Years Ended June 30, 2011, 2010 and 2009

District Achievement Results	English Language Arts						Mathematics					
	2011		2010		2009		2011		2010		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4												
Advanced	1	1%	0	0%	2	3%	1	1%	0	0%	3	4%
Mastery	5	6%	3	3%	12	16%	8	9%	3	3%	9	12%
Basic	40	45%	31	35%	39	53%	37	42%	33	37%	29	40%
Approaching Basic	29	33%	26	29%	15	21%	25	29%	30	34%	19	26%
Unsatisfactory	13	15%	29	33%	5	7%	17	19%	23	26%	13	18%
Total	88	100%	89	100%	73	100%	88	100%	89	100%	73	100%

District Achievement Results	Science						Social Studies					
	2011		2010		2009		2011		2010		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4												
Advanced	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Mastery	0	0%	1	1%	3	4%	0	0%	0	0%	0	0%
Basic	22	25%	14	16%	25	34%	29	33%	17	19%	36	49%
Approaching Basic	50	57%	46	52%	35	48%	31	35%	22	25%	22	30%
Unsatisfactory	16	18%	28	31%	10	14%	28	32%	50	56%	15	21%
Total	88	100%	89	100%	73	100%	88	100%	89	100%	73	100%

District Achievement Results	English Language Arts						Mathematics					
	2011		2010		2009		2011		2010		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	1	1%					1	1%				
Mastery	5	6%					8	9%				
Basic	40	45%					37	42%				
Approaching Basic	29	33%					25	29%				
Unsatisfactory	13	15%					17	19%				
Total	88	100%					88	100%				

District Achievement Results	Science						Social Studies					
	2011		2010		2009		2011		2010		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	0	0%					0	0%				
Mastery	3	15%					1	5%				
Basic	10	50%					12	60%				
Approaching Basic	5	25%					5	25%				
Unsatisfactory	2	10%					2	10%				
Total	20	100%					20	100%				

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures

**Broadmoor Charter School Board, Inc.
New Orleans, Louisiana**

**The Graduation Exit Examination
For the Years Ended June 30, 2011, 2010 and 2009**

District Achievement Results	English Language Arts						Mathematics					
	2011		2010		2009		2011		2010		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 10												
Advanced												
Mastery												
Basic												
Approaching Basic												
Unsatisfactory												
Total												

District Achievement Results	Science						Social Studies					
	2011		2010		2009		2011		2010		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 11												
Advanced												
Mastery												
Basic												
Approaching Basic												
Unsatisfactory												
Total												

Note This schedule does not apply

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures

Broadmoor Charter School Board, Inc.
New Orleans, Louisiana

The Iowa and iLeap Tests
For the Years Ended June 30, 2011, 2010 and 2009

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	1	1%	2	2%	0	0%	1	1%
Mastery	10	13%	6	8%	3	3%	5	7%
Basic	27	35%	22	29%	22	29%	27	35%
Approaching Basic	29	38%	21	27%	30	39%	30	39%
Unsatisfactory	10	13%	26	34%	22	29%	14	18%
Total	77	100%	77	100%	77	100%	77	100%

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0%	1	2%	0	0%	0	0%
Mastery	1	2%	1	2%	0	0%	0	0%
Basic	23	42%	22	40%	9	16%	12	22%
Approaching Basic	22	40%	17	31%	25	45%	25	45%
Unsatisfactory	9	16%	14	25%	21	39%	18	33%
Total	55	100%	55	100%	55	100%	55	100%

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	6	11%	0	0%	2	4%	5	10%
Basic	33	62%	22	41%	33	62%	28	53%
Approaching Basic	11	21%	12	23%	17	32%	14	26%
Unsatisfactory	3	6%	19	36%	1	2%	6	11%
Total	53	100%	53	100%	53	100%	53	100%

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	1	2%	1	2%	1	2%	1	2%
Basic	29	73%	15	38%	19	48%	27	68%
Approaching Basic	10	25%	16	40%	15	38%	7	18%
Unsatisfactory	0	0%	8	20%	5	12%	5	12%
Total	40	100%	40	100%	40	100%	40	100%

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures

Broadmoor Charter School Board, Inc
New Orleans, Louisiana

The Iowa and iLeap Tests
For the Years Ended June 30, 2011, 2010 and 2009

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	0	0%	1	1%	0	0%	0	0%
Mastery	3	4%	4	5%	0	0%	1	1%
Basic	24	30%	20	25%	18	23%	24	30%
Approaching Basic	28	35%	30	38%	40	49%	25	31%
Unsatisfactory	25	31%	25	31%	22	28%	30	38%
Total	80	100%	80	100%	80	100%	80	100%

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	3	5%	3	5%	0	0%	0	0%
Basic	24	38%	25	40%	25	40%	32	51%
Approaching Basic	22	35%	12	19%	32	51%	17	27%
Unsatisfactory	14	22%	23	36%	6	9%	14	22%
Total	63	100%	63	100%	63	100%	63	100%

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	1	2%	0	0%	0	0%	0	0%
Mastery	3	6%	4	8%	2	4%	1	2%
Basic	26	53%	17	35%	23	47%	23	47%
Approaching Basic	13	27%	10	20%	14	29%	16	33%
Unsatisfactory	6	12%	18	37%	10	20%	9	18%
Total	49	100%	49	100%	49	100%	49	100%

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	0	0%	1	5%	1	5%	0	0%
Basic	11	53%	10	48%	11	52%	10	48%
Approaching Basic	7	33%	7	33%	7	33%	10	48%
Unsatisfactory	3	14%	3	14%	2	10%	1	4%
Total	21	100%	21	100%	21	100%	21	100%

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures

Broadmoor Charter School Board, Inc.
New Orleans, Louisiana

The Iowa and iLeap Tests
For the Years Ended June 30, 2011, 2010 and 2009

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	2	3%	1	1%	2	3%	1	1%
Basic	17	22%	22	29%	14	19%	21	28%
Approaching Basic	32	43%	26	35%	39	53%	31	43%
Unsatisfactory	24	32%	26	35%	19	25%	21	28%
Total	75	100%	75	100%	74	100%	74	100%

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	2	6%	4	11%	5	14%	5	14%
Basic	13	36%	15	42%	9	25%	19	53%
Approaching Basic	17	47%	8	22%	14	39%	8	22%
Unsatisfactory	4	11%	9	25%	8	22%	4	11%
Total	36	100%	36	100%	36	100%	36	100%

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures

BROADMOOR CHARTER SCHOOL BOARD, INC.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

FOR THE YEAR ENDED JUNE 30, 2011



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA
(Retired)
Michael B. Bruno, CPA (2011)

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
Broadmoor Charter School Board, Inc.

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the **Broadmoor Charter School Board, Inc. (the School)** and the Legislative Auditor, State of Louisiana, as a required part of the audit engagement. We performed each procedure and reported the results, including any exceptions. Management has provided a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the **School** is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the **School** and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the **School's** compliance with certain laws and regulations during the year ended included in the *Louisiana Compliance Questionnaire*.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS

Our procedures, findings and management's response follows:

Financial Management

Procedure

1. Determine if management (chief executive and board members) was presented with timely and accurate monthly financial statements, including budget-to-actual comparisons during the year under examination.

Finding

Based on the results of our inquiry and review of board minutes, it appears that management is not being presented on a monthly basis with timely and accurate financial statements to include budget to actual comparisons.

Management's Response and Planned Corrective Action

Management concurs with this finding. **The School** will take necessary steps to prevent the reoccurrence of this finding, by implementing its drafted Financial Policies and Procedures Manual

Procedure

2. If management was deficit spending during the period under examination, determine if there is a formal/written plan to eliminate the deficit spending and whether management is monitoring the plan

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Financial Management, Continued

Finding

We were unable to determine if management was deficit spending during the year ended June 30, 2011 because of the condition identified in procedure 1. However we noted through discussion with management that it continuously monitors its expenses in order to contain deficit spending.

Management's Response and Planned Corrective Action

The School is working to achieve a minimum 5% net assets.

Procedure

3. Determine if there are written policies and procedures for the following financial/business functions of the School.
 - o Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders, (4) checks and balances to ensure compliance with the public bid law, and (5) documentation required to be maintained for all bids and price quotes.
 - o Disbursements, including processing, reviewing , and approving
 - o Receipts, including receiving, recording, and preparing deposits.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Financial Management, Continued

Finding

The School through the year ended June 30, 2011, has used the services of a management company to handle its detail financial transactions (cash receipts/disbursements) processing and reporting functions. Further, **the School** has maintained through June 30, 2011, a summarized transaction using its QuickBooks Pro Software. As such **the School** has relied on the accounting manuals of the management company. At June 30, 2011, **the School** has not formalized written policies and procedures for its financial processing and reporting functions.

Management's Response and Planned Corrective Action

While working through a formal separation of business services from the management company, **the School** has drafted a financial Policies and Procedures manual that is pending adoption.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Credit Cards

Procedure

4. Obtain from management a listing of all active credit cards (and bank debit cards if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards.

Finding

Not applicable.

Procedure

5. Obtain and review **the School's** written policies and procedures for credit cards (and debit cards if applicable) and determine if the following is addressed:
 - How cards are to be controlled
 - Allowable business uses
 - Documentation requirements
 - Required approvers
 - Monitoring card usage

Finding

Not applicable

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Credit Cards, Continued

Procedure

- 6 Obtain the monthly statements for all credit cards (general, stores, and gasoline) used during the period under examination and select for detailed review, the two largest (dollar amount) statements for each card.

Finding

Not applicable.

Travel and Expense Reimbursement

Procedure

7. Obtain and review the School's written policies and procedures for travel and expense reimbursement and determine if the following is addressed:
- Allowable expenses
 - Dollar thresholds by category of expense
 - Documentation requirements
 - Required approvers

Finding

The School through June 30, 2011 used the expense management policy of its management company. Based on our review, we noted that the referenced policy of its management company addressed dollar thresholds, documentation and approval requirements. Noted no specific discussion related to allowable cost based on the nature and type of grant award.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Travel and Expense Reimbursement, Continued

Procedure

8. Obtain a listing of all travel and related expense reimbursements during the period under examination and select for review the one person who was reimbursed the most money.
 - A. Obtain all of the expense reimbursement reports of the selected person, including the supporting documentation, and select the three largest (dollar) expense reports to review in detail.

Determine if each expense is:

- Reimbursed in accordance with written policy
- In accordance with thresholds or guidelines established in the policies and procedures
- For an appropriate and necessary business purpose relative to the travel

Determine if each expense is supported by.

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose.
- Other documentation as may be required by policy.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Travel and Expense Reimbursement, Continued

Procedure, Continued

Determine if each expense report (including documentation) was reviewed and approved in writing, by someone other than the person receiving reimbursement.

- B. Determine if there was any duplication of expenses by comparing the expense reports to charges/purchases made on credit card(s).

Finding

For the one (1) person who was reimbursed the most money, we noted no itemization of a reimbursed item totaling \$54.88 of the total expense of \$428.87.

Contracts

Procedure

9. Obtain and review the School's written policies and procedures for contracts/contracting, including leasing, and determine if the following is addressed
- Types of services requiring written contracts
 - Standard terms and conditions
 - Legal review
 - Approval process
 - Monitoring process

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Contracts, Continued

Finding

The School uses its management company's procurement policies and procedures manual. Based on our review, we noted that the manual generally addresses all the previously referenced criteria.

Procedure

- 10 Determine if **the School** has centralized control and oversight of contracts to ensure that services/deliverables received and payments made comply with the terms and conditions of the contracts.

Finding

The management company's manual has the procurement process centralized within its procurement department.

Procedure

11. Obtain and review the accounting records (e.g. general ledgers, accounts payable vendor history reports, invoices, etc.) for the period under examination to identify individuals/businesses being paid for contracted services (e.g., professional, technical, etc.) Select the five "vendors" that were paid the most money during the period and for each:

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Contracts, Continued

Procedure, Continued

- o Determine if there is a formal/written contract that supports the services arrangement and the total amount paid
- o Determine the business legitimacy of the vendor if not known by the auditor (e.g., look-up the vendor on the LA Secretary of State's website).

Finding

Of the five (5) vendors selected, **the School** was unable to provide the executed contracts for two (2) vendors. One (1) of the vendors was selected from the State's vendor list. However, we noted no formal adoption of the Louisiana Procurement Code by **the School**.

Management's Response and Planned Corrective Action

The School will propose formal adoption of the Louisiana Procurement Code for Andrew H Wilson Charter School.

12. Obtain a listing of all active contracts and the expenditures made during the period under examination. Select for detailed review, the largest (dollar amount) contract in each of the following categories that was entered into during the period.
 - 1) Services
 - 2) Materials and supplies
 - 3) Public works

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Contracts, Continued

Procedure, Continued

A. Obtain the selected contracts and the related paid invoices and:

Determine if the contract is a related party transaction.

Determine if the transaction is subject to the Louisiana Public Bid Law:

- If yes, determine if **the School** complied with all requirements (e g , solicited quotes or bids, advertisement, selected lowest bidder, etc.).
- If no, determine if **the School** provided an open and competitive atmosphere (a good business practice)

Determine if the contract was awarded under the request for proposals (RFP) method. If so done, obtain all proposals and the evaluation/scoring documents to determine if the contract was awarded to the most responsible offeror whose proposal was the most advantageous taking into consideration price and other evaluation factors set forth in the request for proposals.

Determine if the procurement was made "off" state contract (as opposed to following the competitive bidding requirements of the Louisiana Public Bid Law). If so done, determine if the board formally adopted the use of the Louisiana Procurement Code (R S 39-1551-1755), the set of laws that govern most state agencies' purchases of certain services, materials and supplies, and major repairs

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Contracts, Continued

Procedure, Continued

Determine if the procurement related to homeland security and was made from federal General Service Administration (GSA) supply schedules. If so done, determine if **the School** (1) utilized a Louisiana licensed distributor; (2) used the competitive ordering procedures of the federal GSA ; and (3) received prior approval from the director of the State of Office of Homeland Security and Emergency Preparedness, or his designee.

Determine if **the School** "piggybacked" onto another agency's contract. If so done, determine if there is documentation on file that clearly demonstrates the contract was a previously bid, viable contract and the price paid by **the School** was the same as that contract's bid price.

Determine if the contract was amended. If so done, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amended is outside the scope of the original contract, and if so, whether it should have been separately bid and contracted.

Determine if the invoices received and payments made during the period complied with the terms and conditions of the contract

Finding

The only category of contracts was for services. We noted that the selected contract was listed on the August 2010 board agenda but noted no board approval and evidence of review by **the School's** counsel.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Payroll and Personnel

Management's Response and Planned Corrective Action

Management concurs with this finding, and future contracts for services will follow good business practices as outlined in the Board's Financial Policies and Procedures Manual.

Procedure

13. Obtain and review **the School's** written policies and procedures for payroll and personnel and determine if they address the processing of payroll, including reviewing and approving of time and attendance records, including leave and overtime worked.

Finding

It is our understanding based on discussions with management of **the School** and its management company, that **the School** does not have a formalized written payroll policy and procedures. However, we noted the existence of an employee benefits document used by **the School's** management company.

Management's Response and Planned Corrective Action

Management concurs with this finding. **The School** will take necessary steps to prevent the reoccurrence of this finding, by implementing its drafted financial Policies and Procedures Manual, to include a formal payroll policy.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Payroll and Personnel, Continued

Procedure

14. Obtain a listing of employment contracts/agreements in force during the year ended June 30, 2011. Select the largest (dollar amount) employment contract and determine if all payments issued during the year ended June 30, 2011 were done in strict accordance with the terms and conditions of the contract

Finding

No exceptions noted based on our review of the largest employment contract.

Procedure

15. Select the attendance and leave records for one pay period and:

Determine if all employees are documenting their daily attendance and leave (e.g., vacation, sick, etc.).

Determine if supervisors are approving, in writing the attendance and leave of all employees.

Determine if the School is maintaining accurate written leave records (e.g. hours earned, hours used, and balance available) on all eligible employees

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Payroll and Personnel, Continued

Finding

It is our understanding through discussions with management of the School, that there are no written policies for the processing and approving of payroll to include leave activity.

For five (5) selected employees, we noted variances between the executed timesheets and payroll records as they related to the documentation of time and use of leave.

Management's Response and Planned Corrective Action

Management concurs with this finding. The School will take necessary steps to prevent the reoccurrence of this finding, by implementing its drafted Financial Policies and Procedures Manual, which ensure maintenance of accurate time and attendance records

Procedure

16. Select the five highest paid employees and determine if changes made to their hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy.

Finding

For the five (5) employees reviewed, we noted no change in their hourly rate of pay used during the year ended June 30, 2011.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Payroll and Personnel, Continued

Procedure

- 17 Select the five (5) largest termination payments (e.g., vacation, sick, compensatory time, etc.) made during the period under examination. Determine if the payments were supported by documentation, made in strict accordance with policy and/or contract, and properly approved.

Finding

The School was unable to provide documentation for us to perform this procedure.

Management's Response and Planned Corrective Action

During the period under audit, the School engaged a management company and its payroll services. The management company failed to respond to several requests from the School and auditors specific to amounts of termination payments

Procedure

18. Determine if any employees were also being paid as contract labor during the period of the examination.

Finding

None noted based on our review of payments made to contractors.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the **School** and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purposes.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

January 30, 2012